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CHINESE PEOPLE HOLDINGS COMPANY LIMITED

中民控股有限公司

(incorporated in Bermuda with limited liability)

(stock code: 681)

**(1) CONNECTED TRANSACTIONS IN RELATION TO
THE ENTERING INTO OF THE SETTLEMENT DEED,
(2) CONNECTED TRANSACTIONS IN RELATION TO
WARRANTS SUBSCRIPTION,
AND
(3) RESUMPTION OF TRADING**

(1) THE ENTERING INTO OF THE SETTLEMENT DEED

On 8 April 2013, the Company and the Vendor entered into the Settlement Deed (as supplemented by the Supplemental Settlement Deed on 16 May 2013) pursuant to which, among others, (i) the security created by the Share Charge shall be discharged and released in the manner provided in the Release; (ii) the Company shall waive the compliance by the Vendor of its obligations under the Agreement in relation to the Profit Guarantee in the manner provided in the Release; (iii) the Vendor and the Company shall jointly appoint the Escrow Agent to hold and deal with the Consideration Shares in accordance with the terms of the Escrow Letter; (iv) the Vendor shall deposit the Consideration Shares and other related title and other documents as provided in the Escrow Letter with the Escrow Agent immediately after the signing of the Release and the Escrow Letter; and (v) the Consideration Shares shall be held and dealt with by the Escrow Agent in accordance with the settlement arrangement as stipulated in the Settlement Deed.

As at the date of this announcement, the Vendor is interested in 1,727,729,582 Shares, representing approximately 29.74% of the entire issued share capital of the Company. By virtue of the Vendor's interests in the Company, the transactions contemplated under the Settlement Deed constitute non-exempt connected transactions on the part of the Company and are subject to, among other things, reporting, announcement and independent shareholders' approval requirement under Chapter 14A of the Listing Rules. Pursuant to Chapter 14A of the Listing Rules, the Vendor and its associates (including but not limited to Mr. Yeung) are required to abstain from voting in respect of the relevant resolutions approving the Settlement Deed and the transactions contemplated thereunder (including but not limited to the grant of the Settlement Specific Mandate) at the SGM. The resolutions to be proposed at the SGM for approval by the Independent Shareholders will be taken by way of a poll.

(2) WARRANTS SUBSCRIPTION

On 8 April 2013, the Company and the Subscriber entered into the Warrants Subscription Agreement pursuant to which the Company has conditionally agreed to issue and allot to the Subscriber, and the Subscriber has conditionally agreed to subscribe for, an aggregate of 1,135,000,000 Warrants conferring the rights to subscribe for an aggregate of 1,135,000,000 Subscription Shares at the initial Subscription Price of HK\$0.205 per Subscription Share (subject to adjustment). The Warrants Issue Price is HK\$0.01 per Warrant and the gross proceeds from the Warrants Subscription of HK\$11,350,000 will be payable by the Subscriber in cash upon Warrants Completion.

As at the date of this announcement, Dr. Mo Shikang, an executive Director, is interested in (i) 427,841,375 Shares, representing approximately 7.36% of the existing share capital of the Company; and (ii) 750,000 Share Options. Dr. Mo Shikang is also the sole beneficial owner of the Subscriber. Thus, the Subscriber is a connected person of the Company and the Warrants Subscription constitutes a non-exempt connected transaction on the part of the Company under Chapter 14A of the Listing Rules. Accordingly, the Warrants Subscription is subject to, among other things, reporting, announcement and independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

Pursuant to Chapter 14A of the Listing Rules, Dr. Mo Shikang, being the sole beneficial owner of the Subscriber, and his associates are required to abstain from voting in respect of the relevant resolutions approving the Warrants Subscription and the transactions contemplated thereunder (including but not limited to the grant of the Warrants Specific Mandate) at the SGM. The resolutions to be proposed at the SGM for approval by the Independent Shareholders will be taken by way of a poll.

(3) RESUMPTION OF TRADING

At the request of the Company, trading in the Shares on the main board of the Stock Exchange was suspended with effect from 9:00 a.m. on 8 April 2013 pending the release of this announcement. Application has been made by the Company for the resumption of trading in the Shares on the main board of the Stock Exchange with effect from 9:00 a.m. on 20 May 2013.

GENERAL

The Independent Board Committee will be established to advise the Independent Shareholders in respect of (i) the terms of the Settlement Deed and the transactions contemplated thereunder, and the grant of Settlement Specific Mandate to approve the allotment and issue of the Additional Shares; and (ii) the terms of the Warrants Subscription Agreement and the grant of Warrants Specific Mandate to approve the allotment and issue of the Subscription Shares. An independent financial adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders in the same regard.

A circular containing, among other things, further details of the Settlement Deed, the Warrants Subscription Agreement, the recommendations of the Independent Board Committee, the advice of the independent financial adviser to the Independent Board Committee and Independent Shareholders, and a notice of SGM will be despatched to the Shareholders in accordance with the Listing Rules on or before 7 June 2013.

Shareholders and potential investors should be aware of and take note that (i) the Settlement Completion is conditional upon satisfaction of the Settlement Conditions Precedent and may or may not proceed; (ii) the Warrants Completion is conditional upon satisfaction of the Warrants Conditions Precedent and may or may not proceed; and (iii) the Settlement Deed and the Warrants Subscription are, however, not inter-conditional to each other. Shareholders and potential investors are advised to exercise caution when dealing in the Shares, and if they are in any doubt about their position, they should consult their professional advisers.

(1) THE ENTERING INTO OF THE SETTLEMENT DEED

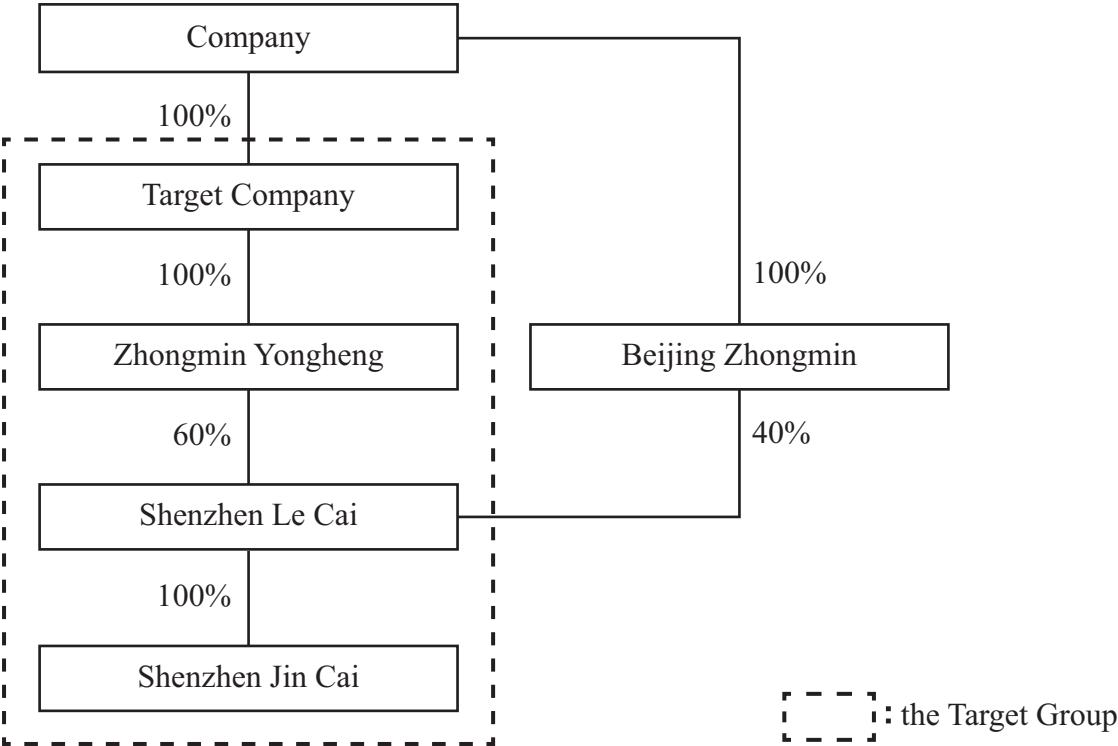
BACKGROUND OF THE SETTLEMENT DEED

Reference is made to the 2011 Announcement and the 2011 Circular in relation to, among other things, the Acquisition and the Profit Guarantee.

On 13 June 2011, the Company, as the purchaser, entered into the Agreement with the Vendor, as the vendor, pursuant to which the Company has conditionally agreed to purchase and the Vendor has conditionally agreed to sell, the Sale Share at the Consideration of HK\$465,226,560, which shall be satisfied by the Company as to (i) HK\$419,838,288.50 by the Company to allot and issue the Consideration Shares to the Vendor credited as fully paid at the Issue Price upon Completion; and (ii) HK\$45,388,271.50 by setting off against the Debt. The Consideration was determined through arm's length negotiations between the Vendor and the Company and on a commercial basis with reference to (i) the aggregate combined net asset value of the Target Group as at 31 March 2011 of HK\$141,336,000; and (ii) the preliminary valuation of Shenzhen Le Cai of RMB645,000,000 (equivalent to approximately HK\$777,548,000) performed by Asset Appraisal Limited, an independent valuer, on 31 May 2011. Compared to the fair value of 60% equity interest in Shenzhen Le Cai in the amount of RMB387,000,000 (equivalent to approximately HK\$466,529,000) as at 31 May 2011, as appraised by such independent valuer, using the income approach with discount cash flow modeling, the Consideration represented a discount of approximately 0.28% to the appraised value of 60% equity interest in Shenzhen Le Cai.

In addition, the Vendor guaranteed to the Company that the net profits after tax of the Target Group as shown in the audited consolidated financial statement of the Target Group for the period from the Completion Date to 31 March 2013 should not be less than RMB60,000,000 (equivalent to approximately HK\$72,330,000) (i.e. the Profit Guarantee) and will compensate the Company for any shortfall between the Profit Guarantee and the actual profits after tax as shown in the audited consolidated financial statement of the Target Group. As a security for the performance of the Profit Guarantee by the Vendor, upon Completion, the Company and the Vendor agreed to charge the 297,654,321 Consideration Shares (representing approximately 5.12% of the entire issued share capital of the Company as at the date of this announcement) held by the Vendor in favour of the Company (i.e. the Share Charge). Such Share Charge shall be released (i) upon the fulfillment of the Profit Guarantee; or (ii) in the event that the Target Group has successfully applied for a new genre of game or developed a new market during the period of Profit Guarantee and a valuation report (in form and substance satisfactory to the Company) prepared by an independent valuer appointed by the Company in relation to the value of such new genre of game or new market of not less than RMB193,000,000 (equivalent to approximately HK\$232,662,000). Details of the Acquisition were set out in the 2011 Circular. The Agreement and the transactions contemplated thereunder were approved by the then independent Shareholders at the special general meeting of the Company held on 29 August 2011.

Completion took place on 1 September 2011 and the 1,727,729,582 Consideration Shares (representing approximately 29.74% of the entire issued share capital of the Company as at the date of this announcement) were duly allotted and issued by the Company to the Vendor as part of the Consideration on 1 September 2011. Accordingly, the Vendor became a substantial Shareholder and a connected person of the Company pursuant to Rule 14A.11 of the Listing Rules. The corporate structure of the Target Group as at the Completion Date is as follow:



Based on the unaudited consolidated management accounts of the Target Group made up to 31 March 2013, the net loss after tax of the Target Group was approximately RMB68.91 million (equivalent to approximately HK\$85.17 million, calculated at the exchange rate of RMB1.000 to HK\$1.2359 as at 31 March 2013), which was mainly attributable to the amortisation charge from the intangible assets – exclusive rights of operation of lottery sales of approximately RMB45.35 million (equivalent to approximately HK\$56.05 million, calculated at the exchange rate of RMB1.000 to HK\$1.2359 as at 31 March 2013). Accordingly, the Profit Guarantee would not be achieved. Also, no valuation report in relation to the new genre of game and new market that have been granted to, or secured or developed by, the Target Group since the Completion Date has been prepared and issued as at the date of the Settlement Deed. Further, according to the estimation of the management of the Company based on the financial and other information currently made available, there would be a substantial impairment on the intangibles of the Company in the Target Group in the consolidated financial statements of the Group for the year ended 31 March 2013.

In view of the foregoing, the Company and the Vendor have negotiated in good faith towards each other with a view to settling the matter amicably. As a result of such negotiation, on 8 April 2013, the Company and the Vendor entered into the Settlement Deed (as supplemented by the Supplemental Settlement Deed on 16 May 2013), details of which are set out below.

DETAILS OF THE SETTLEMENT DEED AND THE SUPPLEMENTAL SETTLEMENT DEED

Date: 8 April 2013, date of the Settlement Deed

16 May 2013, date of the Supplemental Settlement Deed

Parties: (i) the Vendor, as the vendor under the Acquisition; and
(ii) the Company, as the purchaser under the Acquisition

The Vendor is an investment holding company duly incorporated in Hong Kong with limited liability. As at the date of this announcement, the Vendor is interested in 1,727,729,582 Shares, representing approximately 29.74% of the entire issued share capital of the Company, and is, thus, a connected person of the Company. Messrs. Yang Songsheng (“**Mr. Yang**”) and Yeung Paak Ching (“**Mr. Yeung**”), being the directors and shareholders of the Vendor and brothers, currently holds 7,500,000 Share Options and 5,000,000 Share Options, respectively. Mr. Yeung also holds 600,000 Shares as at the date of this announcement.

Release:

Each of the Vendor and the Company agreed with each other that, among others, (i) the security created by the Share Charge shall be discharged and released in the manner provided in the Release; and (ii) the Company shall waive the compliance by the Vendor of its obligations under the Agreement in relation to the Profit Guarantee in the manner provided in the Release.

Appointment of the Escrow Agent:

Each of the Vendor and the Company agreed with each other that, among others, it shall jointly appoint the Escrow Agent to hold and deal with the Consideration Shares in accordance with the terms of the Escrow Letter.

The Vendor represented, warranted and undertook in favour of the Company that it shall deposit the Consideration Shares and other related title and other documents as provided in the Escrow Letter with the Escrow Agent immediately after the signing of the Release and the Escrow Letter.

The Consideration Shares will remain beneficially owned by the Vendor for so long as the Consideration Shares are held in escrow by the Escrow Agent.

Settlement arrangement:

Pursuant to the Settlement Deed (as supplemented by the Supplemental Settlement Deed), the Consideration Shares shall be held and dealt with by the Escrow Agent in accordance with the following terms:

1. THE 2014 VALUATION

- (a) The Vendor and the Company shall jointly appoint an independent valuer as nominated by the Company to conduct the 2014 Valuation after 31 March 2014, and procure that the 2014 Valuation Report shall be prepared and delivered to the Vendor and the Company on or before 30 June 2014. Within 14 Business Days following the delivery by such valuer to the Vendor and the Company of the 2014 Valuation Report and having duly taken into account the opinion stated in the certification obtained under item 5 below, the Company shall issue to and serve on, the Vendor a written certificate (the “**2014 Settlement Certificate**”): (i) showing the calculation and amount of the 2013/14 Valuation Difference; and (ii) certifying the retention or release of the Consideration Shares in accordance with item 1(b) below, and in the event of any release under item 1(b) below, the number of the Consideration Shares to be released.

- (b) In the event that the 2013/14 Valuation Difference shall show a positive sum, the Vendor and the Company shall jointly procure the Escrow Agent not to release any of the Consideration Shares held in escrow by the Escrow Agent. In the event that the 2013/14 Valuation Difference shall be zero or show a negative sum, the Vendor and the Company shall jointly procure the Placing Agent, on the best effort basis, to dispose of 1,727,729,582 Consideration Shares within six months after the date of the 2014 Settlement Certificate (the “**2014 Placing Period**”) at the then best price reasonably obtainable by the Placing Agent. The Escrow Agent shall then release and transfer such number of Consideration Shares successfully placed by the Placing Agent which are held in the escrow of the Escrow Agent to the placee(s). The Placing Agent shall pay the net proceeds from such sale to the Company promptly after completion of such sale. Should the Placing Agent fail to place all of the 1,727,729,582 Consideration Shares during the 2014 Placing Period, the Escrow Agent shall release and transfer the remaining Consideration Shares which are held in the escrow of the Escrow Agent to Shareholders whose names appear on the register of members of the Company at the close of business on the last day of the 2014 Placing Period (other than the Vendor) on a pro-rata basis. In the event that the Consideration Shares are released pursuant to this item 1(b), the provisions of items 2 and 3 below shall, with effect from the date of such release, cease to have effect.

2. *THE 2015 VALUATION*

- (a) The Vendor and the Company shall jointly appoint an independent valuer as nominated by the Company to conduct the 2015 Valuation after 31 March 2015, and procure that the 2015 Valuation Report shall be prepared and delivered to the Vendor and the Company on or before 30 June 2015. Within 14 Business Days following the delivery by such valuer to the Vendor and the Company of the 2015 Valuation Report and having duly taken into account the opinion stated in the certification obtained under item 5 below, the Company shall issue to and serve on, the Vendor a written certificate (the “**2015 Settlement Certificate**”): (i) showing the calculation and amount of the 2014/15 Valuation Difference; and (ii) certifying the retention or release of the Consideration Shares in accordance with item 2(b) below and in the event of any release under item 2(b) below, the number of the Consideration Shares to be released.
- (b) In the event that the 2014/15 Valuation Difference shall show a positive sum, the Vendor and the Company shall jointly procure the Escrow Agent not to release any of the Consideration Shares held in escrow by the Escrow Agent. In the event that the 2014/15 Valuation Difference shall be zero or show a negative sum, the Vendor and the Company shall jointly procure the Placing Agent, on the best effort basis, to dispose of 1,727,729,582 Consideration Shares within six months after the date of the 2015 Settlement Certificate (the “**2015 Placing Period**”) at the then best price reasonably obtainable by the Placing Agent. The Escrow Agent shall then release and transfer such number of Consideration Shares successfully placed by the Placing Agent which are held in the escrow of the Escrow Agent to the placee(s). The Placing Agent shall pay the net proceeds from such sale to the Company promptly after completion of such sale. Should the Placing Agent fail to place all of the 1,727,729,582 Consideration Shares during the 2015 Placing Period, the Escrow Agent shall release and transfer the remaining Consideration Shares which are held in the escrow of the Escrow Agent to Shareholders whose names appear on the register of members of the Company at the close of business on the last day of the 2015 Placing Period (other than the Vendor) on a pro-rata basis. In the event that the Consideration Shares are released pursuant to this item 2(b), the provisions of item 3 below shall, with effect from the date of such release, cease to have effect.

3. *THE 2016 VALUATION*

- (a) The Vendor and the Company shall jointly appoint an independent valuer as nominated by the Company to conduct the 2016 Valuation after 31 March 2016, and procure that the 2016 Valuation Report shall be prepared and delivered to the Vendor and the Company on or before 30 June 2016. Within 14 Business Days following the delivery by such valuer to the Vendor and the Company of the 2016 Valuation Report

and having duly taken into account the opinion stated in the certification obtained under item 5 below, the Company shall issue to and serve on, the Vendor a written certificate (the “**2016 Settlement Certificate**”): (i) showing the calculation and amount of the 2013/16 Valuation Difference; (ii) N1 (as defined in item 3(b) below) or N2 (as defined in item 3(c) below), as appropriate; and (iii) the number of the Additional Shares (as defined in item 3(c) below) (if any) to be allotted and issued by the Company to the Vendor and the 2016 Issue Price.

- (b) In the event that: (i) the 2013/16 Valuation Difference shall show a positive sum; and (ii) the product of 1.2055, 0.6 and the 2013/16 Valuation Difference shall not be more than HK\$419,838,288.5 (being part of the Consideration paid by the Company to the Vendor in relation to the Acquisition by way of allotment and issue of the Consideration Shares), the Vendor and the Company shall jointly procure the Escrow Agent to release to the Vendor within five Business Days following the date of issue by the Company of the 2016 Settlement Certificate such number of the Consideration Shares which are held in escrow under the terms of the Escrow Letter and calculated in accordance with the following formula:

$$N_1 = \frac{A \times B \times 0.6}{C}$$

where

N_1 = such number of the Consideration Shares to be released by the Escrow Agent from escrow under the Escrow Letter to the Vendor pursuant to this item 3(b) provided where N_1 is not a whole number, it shall be rounded down to the nearest whole number

A = the 2013/16 Valuation Difference, expressed in RMB

B = 1.2055, being the exchange rate adopted in the 2011 Circular

C = the Issue Price

Note: The Consideration Shares were issued to the Vendor in 2011 as part of the Consideration for the sale of the Sale Share by the Vendor to the Group, where the principal assets of the Target Company includes 60% equity interest of Shenzhen Le Cai. For the calculation of such number of the Consideration Shares to be released by the Escrow Agent from escrow under the Escrow Letter to the Vendor (i.e. N_1), the 2013/16 Valuation Difference (i.e. A) represents the entire value of Shenzhen Le Cai and its subsidiaries and therefore the multiple of 0.6 is incorporated to reflect the 60% equity interest of Shenzhen Le Cai owned by the Target Company.

In addition, the Vendor and the Company shall jointly procure the Placing Agent, on the best effort basis, to dispose of such number of Consideration Shares (being 1,727,729,582 Consideration Shares less N₁) within six months after the date of the 2016 Settlement Certificate (the “**2016 Placing Period**”) at the then best price reasonably obtainable by the Placing Agent. The Escrow Agent shall then release and transfer such number of Consideration Shares successfully placed by the Placing Agent which are held in the escrow of the Escrow Agent to the placee(s). The Placing Agent shall pay the net proceeds from such sale to the Company promptly after completion of such sale. Should the Placing Agent fail to place such number of Consideration Shares (being 1,727,729,582 Consideration Shares less N₁) during the 2016 Placing Period, the Escrow Agent shall release and transfer the remaining Consideration Shares which are held in the escrow of the Escrow Agent to Shareholders whose names appear on the register of members of the Company at the close of business on the last day of the 2016 Placing Period (other than the Vendor) on a pro-rata basis.

- (c) In the event that: (i) the 2013/16 Valuation Difference shall show a positive sum; and (ii) the product of 1.2055, 0.6 and the 2013/16 Valuation Difference shall be more than HK\$419,838,288.5 (being part of the Consideration paid by the Company to the Vendor in relation to the Acquisition by way of allotment and issue of the Consideration Shares); (a) the Vendor and the Company shall jointly procure the Escrow Agent to release to the Vendor all of the 1,727,729,582 Consideration Shares which are held in escrow under the terms of the Escrow Letter; and (b) the Company shall, within five Business Days following the date of issue by the Company of the 2016 Settlement Certificate, allot and issue such number of new Shares (the “**Additional Shares**”) to the Vendor credited as fully paid at the 2016 Issue Price as calculated in accordance with the following formula:

$$N_2 = \frac{(A \times B \times 0.6) - E}{F}$$

where

N₂ = such number of the Additional Shares to be allotted and issued by the Company to the Vendor pursuant to this item 3(c) provided that: (i) if immediately after the allotment and issue of such Additional Shares, the aggregate of the Consideration Shares, the Additional Shares and any issued Shares held by the Vendor and parties acting in concert with it as at the date of such allotment and issue shall exceed 29.74% of the entire issued share capital of the Company as enlarged by the allotment and issue of such Additional Shares: (a) the Company shall be under no obligation to allot and issue such Additional Shares to the Vendor to the extent and only to the extent that the aggregate of the Consideration Shares, the Additional Shares and the issued Shares held by the

Vendor and parties acting in concert with it as at such date, shall exceed 29.74% of the issued share capital of the Company as enlarged by the allotment and issue of such Additional Shares; and (b) in such event, N2 shall be equivalent to such number of new Shares so that immediately after such allotment and issue of such Additional Shares, the aggregate of the Consideration Shares, the Additional Shares and the issued Shares held by the Vendor and parties acting in concert with it as at such date shall be equivalent to 29.74% of the issued share capital of the Company as enlarged by the allotment and issue of such Additional Shares; and (ii) in the event that N2 is not a whole number, it shall be rounded down to the nearest whole number

A = the 2013/16 Valuation Difference, expressed in RMB

B = 1.2055, being the exchange rate adopted in the 2011 Circular

E = HK\$419,838,288.5, being part of the Consideration paid by the Company to the Vendor in relation to the Acquisition by way of allotment and issue of the Consideration Shares

F = the 2016 Issue Price

Note: The Consideration Shares were issued to the Vendor in 2011 as part of the Consideration for the sale of the Sale Share by the Vendor to the Group, where the principal assets of the Target Company includes 60% equity interest of Shenzhen Le Cai. For the calculation of such number of Additional Shares to be allotted and issued by the Company to the Vendor (i.e. N2), the 2013/16 Valuation Difference (i.e. A) represents the entire value of Shenzhen Le Cai and its subsidiaries and therefore the multiple of 0.6 is incorporated to reflect the 60% equity interest of Shenzhen Le Cai owned by the Target Company.

- (d) In the event that the 2013/16 Valuation Difference shall be zero or show a negative sum, the Vendor and the Company shall jointly procure the Placing Agent, on the best effort basis, to dispose of 1,727,729,582 Consideration Shares within the 2016 Placing Period at the then best price reasonably obtainable by the Placing Agent. The Escrow Agent shall then release and transfer such number of Consideration Shares successfully placed by the Placing Agent which are held in the escrow of the Escrow Agent to the placee(s). The Placing Agent shall pay the net proceeds from such sale to the Company promptly after completion of such sale. Should the Placing Agent fail to place all of the 1,727,729,582 Consideration Shares during the 2016 Placing Period, the Escrow Agent shall release and transfer the remaining Consideration Shares which are held in the escrow of the Escrow Agent to Shareholders whose names appear on the register of members of the Company at the close of business on the last day of the 2016 Placing Period (other than the Vendor) on a pro-rata basis.

4. The Vendor represented, warranted and undertook in favour of the Company that for so long as the Consideration Shares are held in escrow by the Escrow Agent, it shall unconditionally and irrevocably refrain from exercising any of the voting rights attached to such Consideration Shares.
5. Notwithstanding any other provisions in the Settlement Deed, in any circumstances where the Company shall consider that the number of the Consideration Shares to be released, or the number of the Additional Shares to be allotted and issued should be calculated on a different basis to that provided in the Settlement Deed or that an adjustment to the number of the Consideration Shares to be released, or the number of the Additional Shares to be allotted and issued should be made, the Company may appoint either an approved merchant bank or the Auditors to consider the above scenarios on the basis that any adjustment to be made would not or might not fairly and appropriately reflect the relative interests of the persons affected thereby and, if such approved merchant bank or the Auditors shall consider that an adjustment shall be made, it shall be adjusted in such manner as shall be certified by such approved merchant bank or the Auditors (as the case may be) to be in its opinion appropriate. The Company shall procure that any certification by the approved merchant bank or the Auditors under this item 5 shall be completed before the issue of the 2014 Settlement Certificate, the 2015 Settlement Certificate or, as appropriate, the 2016 Settlement Certificate.

Settlement Conditions Precedent:

Settlement Completion shall be conditional upon:

- (a) all necessary governmental and other consents and approvals required to be obtained on the part of the Vendor in respect of the Settlement Deed and the transactions contemplated thereunder having been obtained;
- (b) all necessary governmental and other consents and approvals required to be obtained on the part of the Company in respect of the Settlement Deed and the transactions contemplated thereunder having been obtained;
- (c) the passing by the Independent Shareholders at the SGM to be convened and held in accordance with the requirements of the Listing Rules, of resolutions to approve the Settlement Deed and the transactions contemplated thereunder, including but not limited to the Settlement Specific Mandate for the allotment and issue of the Additional Shares;
- (d) the Vendor's Warranties remaining true and accurate in all material respects;
- (e) the Listing Committee of the Stock Exchange granting the listing of and permission to deal in the Additional Shares;

- (f) (if applicable) the approval of the Bermuda Monetary Authority in respect of the allotment and issue of the Additional Shares by the Company;
- (g) the obtaining of a valuation report (in form and substance satisfactory to the Company) in relation to the 2013 Valuation from an independent valuer appointed by the Company;
- (h) the issue of a circular by the Company in relation to the entering of the Settlement Deed and the transactions contemplated thereunder as required under the Listing Rules; and
- (i) the Company's Warranties remaining true and accurate in all material respects.

The Vendor shall use its reasonable endeavours to procure satisfaction of the conditions (a) and (d). In particular, the Vendor shall procure that all information and documents relating to the Vendor required pursuant to the Listing Rules and other applicable rules, codes and regulations whether in connection with the preparation of all circulars, reports, documents, independent advice or otherwise are duly given promptly to the Company, the Stock Exchange, the SFC and other relevant regulatory authorities. The Company shall use its reasonable endeavours to procure satisfaction of the conditions (b), (c), (e), (f), (g), (h) and (i). The Company may waive in whole or in part the condition (d). The Vendor may waive in whole or in part the condition (i). The conditions (a), (b), (c), (e), (f), (g) and (h) are incapable of being waived by any parties to the Settlement Deed.

If the Settlement Conditions Precedent are not satisfied or, where applicable, waived, on or before 4:00 p.m. on 30 June 2013 (the "**Long Stop Date**"), or such later date as the parties to the Settlement Deed may agree, all rights, obligations and liabilities of the parties under the Settlement Deed shall cease and determine and neither party shall have any claim against the other, save for any antecedent breaches thereof.

Settlement Completion:

Upon compliance with or fulfillment of all the Settlement Conditions Precedent, Settlement Completion shall take place on the Settlement Completion Date during which one party to the Settlement Deed shall deliver to the other party, among others, the duly executed Release and Escrow Letter and vice versa pursuant to the terms of the Settlement Deed.

Application for listing:

The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Additional Shares which may be allotted and issued by the Company to the Vendor pursuant to the Settlement Deed.

Settlement Specific Mandate:

The Company will seek the Settlement Specific Mandate from the Independent Shareholders for the allotment and issue of the Additional Shares. In this regard, the SGM will be convened and held to pass the necessary resolutions to approve the Settlement Deed and the transactions contemplated thereunder and the grant of the Settlement Specific Mandate.

REASONS FOR THE SETTLEMENT DEED

Subsequent to Completion, it was the expectation of the Board that the lottery business would be an important revenue source of the Group. However, the Group's lottery business is not performed as planned. Based on the unaudited consolidated management accounts of the Target Group made up to 31 March 2013, the net loss after tax of the Target Group was approximately RMB68.91 million (equivalent to approximately HK\$85.17 million, calculated at the exchange rate of RMB1.000 to HK\$1.2359 as at 31 March 2013), which was mainly attributable to the amortisation charge from the intangible assets – exclusive rights of operation of lottery sales of approximately RMB45.35 million (equivalent to approximately HK\$56.05 million, calculated at the exchange rate of RMB1.000 to HK\$1.2359 as at 31 March 2013). Accordingly, the Profit Guarantee would not be achieved.

Notwithstanding the historical unsatisfactory performance of the Target Group, the Board is optimistic about the future growth potential in the PRC lottery market which is considered to be regulated extensively and the operation of lottery distribution is subject to various PRC laws, rules and regulations. Indeed, the Target Group has successfully entered into, among others, a few material cooperation agreements with provincial lottery issuing centres in the PRC which are summarized as below:

- on 1 August 2011, Shenzhen Le Cai and Shenzhen Welfare Lottery Issuing Centre entered into a framework agreement in relation to the appointment of Shenzhen Le Cai by Shenzhen Welfare Lottery Issuing Centre as (i) one of the authorised agents to distribute welfare lotteries in Shenzhen; and (ii) the sole agent to distribute Keno Games Lottery in Shenzhen for a term of 20 years commencing from 1 August 2011 and ending on 31 July 2031; and
- on 10 December 2012, Shenzhen Le Cai and Guizhou Welfare Lottery Issuing Centre entered into an agency agreement pursuant to which Shenzhen Le Cai shall set up 200 welfare lottery outlets to distribute computer-based welfare lotteries and paper-based instant lottery “刮刮樂” (Gua Gua Le) in Guizhou Province, the PRC and, in return, Shenzhen Le Cai shall receive commission from the Guizhou Welfare Lottery Issuing Centre.

As at the date of this announcement, the Target Group is operating 83 lottery betting branches in Shenzhen and 3 welfare lottery outlets in Guizhou Province; and is contemplating to continuously expand its distribution points in Shenzhen and Guizhou Province. In addition to the existing lottery business, the Target Group is proactively exploring new distribution markets and is currently under negotiation with few provincial lottery issuing centres in the PRC for potential cooperation. Further, in early 2013, Shenzhen Le Cai has acquired a parcel of industrial land located in Pingshan New District, Shenzhen to construct an industrial park for the development of prize lottery electronic engineering software, research and development and production of high-end lottery equipment in the PRC. The Board believes that the establishment of the industrial park would improve lottery varieties and promote Shenzhen Le Cai becoming one of the famous lottery products, lottery machine terminal and software services developers in the PRC. In view of the above, the Directors consider that the Group is still in an advantageous position in the PRC lottery market. As such, the Board is of the view that it is commercially viable to spend more time and effort on this business segment.

The Settlement Deed, on one hand, involves the discharge and release of Share Charge and waiving of the Vendor's obligations under the Profit Guarantee, and on the other hand, allows the Company to recover all of the 1,727,729,582 Consideration Shares from the Vendor if (a) the 2014 Valuation is lower than or equal to the 2013 Valuation; or (b) the 2015 Valuation is lower than or equal to the 2014 Valuation; or (c) the 2016 Valuation is lower than or equal to the 2013 Valuation. If the 2016 Valuation is higher than the 2013 Valuation, the Settlement Deed further provides a formula which is essentially a tool in determining whether the then performance of the Target Group is satisfactory enough and the number of Consideration Shares could be recovered by the Company and released back to the Vendor from the Escrow Agent. For any Consideration Shares recovered by the Company, they will be placed in the secondary market through the Placing Agent and the net proceeds from such placing will become the financial resources of the Company. In the event that such number of Consideration Shares cannot be fully placed by the Placing Agent during the relevant placing period, those remaining Consideration Shares will be distributed to the then Shareholders (other than the Vendor) on a pro-rata basis. The Board considers that the arrangement under the Settlement Deed is a better alternative to maximize the Shareholders' value on the basis that the Company will either benefit from the growth of the lottery business, or recover a maximum of 1,727,729,582 Consideration Shares which will be placed out for cash, or, if any, directly distributed to the then Shareholders (other than the Vendor) on a pro-rata basis.

The Company will make appropriate announcements pursuant to the Listing Rules in respect of the details of such placing and the intended use of net proceeds after reaching a placing agreement with the Placing Agent and the details and arrangement of the distribution of such remaining number of Consideration Shares to the then Shareholders.

For illustration of the shareholding structure of the Company with the effect of the distribution of 1,727,729,582 Consideration Shares to the then Shareholders (other than the Vendor) on a pro-rata basis, please refer to the section headed “(2) *WARRANTS SUBSCRIPTION – CHANGES IN THE SHAREHOLDING STRUCTURE OF THE COMPANY*”.

The Directors (excluding the independent non-executive Directors whose views will be given after taking into account the advice from an independent financial adviser) consider that the terms of the Settlement Deed (as supplemented by the Supplemental Settlement Deed) are fair and reasonable and the entering into of the Settlement Deed is in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATION

As at the date of this announcement, the Vendor is interested in 1,727,729,582 Shares, representing approximately 29.74% of the entire issued share capital of the Company. By virtue of the Vendor’s interests in the Company, the transactions contemplated under the Settlement Deed constitute non-exempt connected transactions on the part of the Company and are subject to, among other things, reporting, announcement and independent shareholders’ approval requirement under Chapter 14A of the Listing Rules. Pursuant to Chapter 14A of the Listing Rules, the Vendor and its associates (including but not limited to Mr. Yeung) are required to abstain from voting in respect of the relevant resolutions approving the Settlement Deed and the transactions contemplated thereunder (including but not limited to the grant of the Settlement Specific Mandate) at the SGM. The resolutions to be proposed at the SGM for approval by the Independent Shareholders will be taken by way of a poll.

(2) WARRANTS SUBSCRIPTION

DETAILS OF THE WARRANTS SUBSCRIPTION AGREEMENT

Date: 8 April 2013

Issuer: the Company

Subscriber: Ping Da Development Limited, a company incorporated in the British Virgin Islands with limited liability, is wholly-owned by Dr. Mo Shikang, an executive Director and a Shareholder holding (i) 427,841,375 Shares, representing approximately 7.36% of the entire issued share capital of the Company as at the date of this announcement; and (ii) 750,000 Share Options. Thus, Ping Da Development Limited is a connected person of the Company pursuant to the Listing Rules.

The Warrants Subscription:

Pursuant to the Warrants Subscription Agreement, the Company has conditionally agreed to issue and allot to the Subscriber and the Subscriber has conditionally agreed to subscribe for an aggregate of 1,135,000,000 Warrants conferring the rights to subscribe for an aggregate of 1,135,000,000 Subscription Shares at the initial Subscription Price of HK\$0.205 per Subscription Share (subject to adjustment).

Number of Warrants:

A total of 1,135,000,000 Warrants conferring the right to subscribe for 1,135,000,000 Subscription Shares, subject to adjustment upon the occurrence of any of the adjustment events.

Upon exercise in full of the subscription rights attaching to the 1,135,000,000 Warrants at the Subscription Price of HK\$0.205, a maximum of 1,135,000,000 Subscription Shares will be allotted and issued, representing approximately 19.54% of the existing issued share capital of the Company as at the date of this announcement, and approximately 16.34% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares (without taking into account the allotment and issue of Additional Shares under the Settlement Deed and the exercise of the outstanding Share Options).

Warrants Issue Price and Subscription Price:

The Warrants Issue Price is HK\$0.01 per Warrant. The gross proceeds from the Warrants Subscription of HK\$11,350,000 will be payable by the Subscriber in cash upon Warrants Completion.

The Subscription Price is HK\$0.205 per Subscription Share (subject to adjustment).

The aggregate of the Warrants Issue Price of HK\$0.01 per Warrant and the Subscription Price of HK\$0.205 per Subscription Share, i.e. HK\$0.215, represents:

- (i) a premium of approximately 17.49% over the closing price of HK\$0.183 per Share as quoted on the Stock Exchange on the Last Trading Date;
- (ii) equal to the average closing price of HK\$0.215 per Share as quoted on the Stock Exchange for the last five consecutive trading days for the Shares up to and including the Last Trading Date; and
- (iii) a discount of approximately 12.60% to the average closing price of HK\$0.246 per Share as quoted on the Stock Exchange for the last ten consecutive trading days for the Shares up to and including the Last Trading Date.

Both the Warrants Issue Price and the Subscription Price were determined after arm's length negotiations between the Company and the Subscriber, after considering the Group's existing financial position, liquidity of the Shares in the market, and the prevailing market price of the Shares. The Directors (excluding the independent non-executive Directors whose views will be given after taking into account the advice from an independent financial adviser) hold the view that the terms of the Warrants Subscription are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Assuming the full exercise of the subscription rights attaching to the Warrants at the Subscription Price, it is expected that approximately HK\$232,675,000 will be raised, which is expected to be satisfied by payment of cash by the Subscriber.

Subscription Period:

The subscription rights attaching to the Warrants may be exercised during a period of 36 months commencing from the date of issue in accordance with terms of the Warrants Subscription Agreement.

Warrants Completion:

Subject to the fulfillment of the Warrants Conditions Precedent, Warrants Completion shall take place on the Warrants Completion Date.

Information of the Warrants:

The Warrants will be constituted by way of deed poll to be executed by the Company. The Warrants will rank *pari passu* in all respects among themselves.

The Warrants will be issued upon Warrants Completion in registered form. A Warrants certificate will be issued to the Subscriber.

Subject to the provisions in the instrument to be executed by way of deed poll by the Company in relation to the issue of the Warrants and to compliance with all applicable regulations, exchange control, fiscal and other laws and regulations applicable thereto and provided that any exercise of the subscription rights attaching to the Warrants (i) does not trigger a mandatory offer obligation under Rule 26 of the Takeovers Code on the part of the holder(s) of the Warrants who has/have exercised its subscription rights attaching to the Warrants and parties acting in concert (as defined under the Takeovers Code); (ii) will not cause the public float of the Company to be unable to meet the relevant requirements under the Listing Rules; and (iii) will be in compliance with applicable laws and regulations including but not limited to the Takeovers Code and the Listing Rules, holder(s) of the Warrants is/are entitled at any time during a period of 36 months commencing on the date of issue in accordance with terms of the Warrants Subscription Agreement to subscribe in Hong Kong dollars the whole or part, in integral multiple of 1,000,000 Warrants for fully paid Shares at the Subscription Price (subject to adjustment).

The Subscription Shares to be allotted and issued upon the exercise of the subscription rights attaching to the Warrants will rank *pari passu* in all respects with the Shares in issue.

Adjustment of Subscription Price:

The Subscription Price shall be adjusted in each of the following cases:

- (i) an alteration of the nominal amount of each Share by reason of any consolidation or subdivision;
- (ii) an issue (other than pursuant to a scrip dividend scheme in lieu of a cash dividend) by the Company of Shares credited as fully paid by way of capitalisation of profits or reserves (including any share premium account or capital redemption reserve fund);
- (iii) a capital distribution being made by the Company, whether on a reduction of capital or otherwise, to the Shareholders (in their capacity as such) (including, but not limited to, such a distribution pursuant to a reduction or redemption of share capital, share premium account or capital redemption reserve fund or otherwise);
- (iv) a grant by the Company to the Shareholders (in their capacity as such) of rights to acquire for cash assets of the Company or any of its subsidiaries; or
- (v) an offer of new Shares for subscription by way of rights, or a grant of options or warrants to subscribe new Shares, at a price which is less than 80 per cent. of the market price being made by the Company to the Shareholders (in their capacity as such).

Transferability:

Subject to transfer(s) being made to Independent Third Party(ies) with the prior written consent of the Company, the Warrants are transferable in integral multiples of 1,000,000 Warrants (or if at the time of transfer, the outstanding number of Warrants are less than 1,000,000, the whole but not in part of the outstanding Warrants) by instrument of transfer in the usual or common form or in any other form which may be approved by the Directors.

Purchase and Cancellation:

The Company or any of its subsidiaries may at any time purchase Warrants:

- (i) in the open market or by tender (available to all alike holders of Warrants) at any price; or
- (ii) by private treaty at a price, exclusive of expenses, not exceeding 110 per cent. of the Warrants Issue Price

but not otherwise. All Warrants purchased as aforesaid shall be cancelled forthwith and may not be reissued or re-sold.

Call:

If at any time the aggregate of the Warrants which have not been exercised carry rights to subscribe for the Subscription Shares which is less than 10% of the total number of Warrants issued, the Company may, on giving not less than one month's notice, require holder(s) of the Warrants either to exercise their subscription rights attaching to the Warrants or to allow them to lapse. On expiry of such notice, all unexercised Warrants will be automatically cancelled without compensation to the holder(s) of the Warrants.

Warrants Conditions precedent:

Warrants Completion of the Warrants Subscription Agreement is conditional upon, among the other matters, the fulfillment of the following conditions on or before 5:00 p.m. on 30 June 2013 or such later date as may be agreed between the Subscriber and the Company:

- (i) the passing by the Independent Shareholders at the SGM to be convened and held, of the necessary resolutions to approve the Warrants Subscription Agreement and the transactions contemplated thereunder (including but not limited to the allotment and issue of the Subscription Shares to the holder(s) of the Warrants);
- (ii) (if required) the Listing Committee of the Stock Exchange shall have approved the issue of the Warrants either unconditionally or subject to conditions to which neither the Company nor the Subscriber shall reasonably object and the satisfaction of such conditions;
- (iii) the Listing Committee of the Stock Exchange shall have granted (either unconditionally or subject to conditions to which neither the Company nor the Subscriber shall reasonably object) the listing of, and permission to deal in, the Subscription Shares which may fall to be allotted and issued upon the exercise of the subscription rights attached to the Warrants;
- (iv) the representations, warranties and undertakings given by the Company in the Warrants Subscription Agreement remaining true and accurate in all respects; and
- (v) the representations, warranties and undertakings given by the Subscriber in the Warrants Subscription Agreement remaining true and accurate in all respects.

If the Warrants Conditions Precedent are not fulfilled (or as the case may be, waived) on or before 5:00 p.m. on 30 June 2013 or such later date as may be agreed between the Subscriber and the Company, the Warrants Subscription Agreement will lapse and become null and void and the parties shall be released from all obligations in the Warrants Subscription Agreement, save for any liabilities for any antecedent breaches in the Warrants Subscription Agreement.

Voting rights for the holders of the Warrants:

The holder(s) of the Warrants shall not be entitled to attend or vote at any general meetings of the Company by virtue of them being holder(s) of the Warrants. The holder(s) of the Warrants shall not have the right to participate in any distributions and/or offers of further securities made by the Company by virtue of them being the holder(s) of the Warrants.

Rights of holder(s) of the Warrants on the liquidation of the Company:

If the Company is wound up during the subscription period of the Warrants, all subscription rights attaching to the Warrants have not been exercised at the date of the passing of such a resolution approving the winding-up shall lapse and Warrant certificate shall cease to be valid for any purpose, save for (i) if such winding-up is for the purpose of reconstruction or amalgamation pursuant to a scheme of arrangement to which the holder(s) of Warrants, or some person designated by them for such purpose by special resolution, shall be a party or in conjunction with which a proposal is made to the holder(s) of Warrants and is approved by special resolution, the terms of such scheme of arrangement or (as the case may be) proposal shall be binding on the holder(s) of Warrants; and (ii) in the event of a voluntary winding-up, the holders of the Warrants shall be entitled within six weeks after the passing of such a resolution approving the winding-up to exercise the subscription rights attaching to the Warrants in accordance with the terms and conditions of the Warrants.

Application for listing:

The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares which may fall to be allotted and issued upon exercise of the subscription rights attaching to the Warrants. No listing of the Warrants will be sought on the Stock Exchange or any other stock exchanges.

Warrants Specific Mandate:

The Company will seek the Warrants Specific Mandate from the Independent Shareholders for the allotment and issue of the Subscription Shares. In this regard, the SGM will be convened and held to pass the necessary resolutions to approve the Warrants Subscription Agreement and the grant of the Warrants Specific Mandate.

REASONS FOR THE WARRANTS SUBSCRIPTION

The Company is an investment holding company. Its subsidiaries principally engage in the sale and distribution of natural gas and liquefied petroleum gas (“LPG”) including the sale of LPG in bulk and in cylinders, the provision of piped LPG and natural gas, construction of gas pipelines, the operation of city gas pipeline network and the sale of LPG and lottery agency sales in the PRC.

The Board has considered other alternative fund raising methods such as debt financing, rights issue or open offers. The Board holds the view that the Warrants Subscription is a more appropriate means of fund raising for the Company as it does not have any immediate dilution effect on the shareholding of the existing Shareholders and the cost and expenses for Warrants Subscription is minimal. In addition to the net proceeds that would be raised upon Warrants Completion, further capital would be raised upon exercise of the subscription rights attaching to the Warrants. The Board holds the view that the Warrants Subscription and the issue of the Subscription Shares provide opportunities for the Group to strengthen the Group's capital base and financial position which in turn better equip the Group with the financial flexibility for development of the existing business or any other new business of the Group.

The Directors (excluding the independent non-executive Directors whose views will be given after taking into account the advice from an independent financial adviser) hold the view that the terms of the Warrants Subscription Agreement are fair and reasonable and the Warrants Subscription is in the interest of the Company and the Shareholders as a whole.

USE OF PROCEEDS

The gross proceeds from the Warrants Subscription will be HK\$11,350,000 (without taking into account of the exercise of the subscription rights attaching to the Warrants). The net proceeds from the Warrants Subscription, after taking into account the legal fees, printing expenses and other related expenses in relation to the Warrants Subscription, will be approximately HK\$11,250,000 (with a net Warrants Issue Price of approximately HK\$0.0099 per Warrant). The Directors intend to apply the net proceeds as general working capital of the Group.

Assuming the full exercise of the subscription rights attaching to the Warrants at the Subscription Price, it is expected that an additional gross amount of HK\$232,675,000 will be raised. The net proceeds (after deduction of all related expenses) of approximately HK\$232,575,000 (with a net subscription price of approximately HK\$0.2049 per Subscription Share) will be applied as general working capital of the Group.

FUND RAISING ACTIVITIES DURING THE PAST TWELVE MONTHS

The Group has not conducted any fund raising activity in the past twelve months immediately preceding the date of this announcement.

CHANGES IN THE SHAREHOLDING STRUCTURE OF THE COMPANY

As at the date of this announcement, the Company has an authorised share capital of HK\$560,000,000 divided into 7,999,999,999 Shares and an issued share capital of HK\$406,696,790 divided into 5,809,954,136 Shares.

For illustration purpose only, the shareholding structure of the Company (i) as at the date of this announcement (“**Scenario 1**”); (ii) immediately after the full exercise of the subscription rights attaching to the Warrants but before the distribution of any of the Consideration Shares to the then Shareholders (other than the Vendor) on pro-rata basis (“**Scenario 2**”); and (iii) immediately after the full exercise of the subscription rights attaching to the Warrants and the distribution of 1,727,729,582 Consideration Shares to the then Shareholders (other than the Vendor) on pro-rata basis (“**Scenario 3**”) are as follows:

Shareholders	Scenario 1		Scenario 2		Scenario 3	
	No. of Shares	Approximate%	No. of Shares	Approximate%	No. of Shares	Approximate%
Dr. Mo Shikang ^{Note 1}	427,841,375	7.36	427,841,375	6.16	569,524,792	8.20
Subscriber	-	-	1,135,000,000	16.34	1,510,865,186	21.75
<i>Sub-total for the Subscriber and its concert parties</i>	427,841,375	7.36	1,562,841,375	22.50	2,080,389,978	29.95
Vendor ^{Note 2}	1,727,729,582	29.74	1,727,729,582	24.88	-	-
Mr. Yeung ^{Note 1}	600,000	0.01	600,000	0.01	798,695	0.01
Mr. Zhang Hesheng ^{Note 1}	227,788,793	3.92	227,788,793	3.28	303,223,046	4.37
Mr. Chu Kin Wang Peleus ^{Note 1, 3}	9,840,000	0.17	9,840,000	0.14	13,098,602	0.19
Public Shareholders	<u>3,416,154,386</u>	<u>58.80</u>	<u>3,416,154,386</u>	<u>49.19</u>	<u>4,547,443,815</u>	<u>65.48</u>
Total	<u>5,809,954,136</u>	<u>100.00</u>	<u>6,944,954,136</u>	<u>100.00</u>	<u>6,944,954,136</u>	<u>100.00</u>

Notes:

1. Dr. Mo Shikang, Mr. Yeung, Mr. Zhang Hesheng and Mr. Chu Kin Wang Peleus are Directors.
2. The Vendor is legally, beneficially and equally held by Mr. Yang and Mr. Yeung. Mr. Yang and Mr. Yeung are brothers and directors of the Vendor.
3. This represents interests legally and beneficially held by Ms. Woo Sau Kuen. She is the spouse of Mr. Chu Kin Wang Peleus, one of the Directors.
4. As at the date of this announcement, the Company has outstanding 201,600,000 Share Options.
5. Both Scenario 2 and Scenario 3 have not taken into account the effect of (i) the possible allotment and issue of Additional Shares under the Settlement Deed; and (ii) the exercise of outstanding Share Options.

ISSUE OF WARRANTS

Pursuant to Rule 15.02(1) of the Listing Rules, the Subscription Shares to be issued upon exercise the subscription rights attaching to the Warrants must not, when aggregated with all other equity securities which remain to be issued on exercise of any other subscription rights, if all such rights were immediately exercised, whether or not such exercise is permissible, exceed 20% of the issued share capital of the Company at the time the Warrants are issued. Options granted under employee or executive share schemes which comply with Chapter 17 of the Listing Rules are excluded for the purpose of such limit.

As at the date of this announcement and except for the outstanding Share Options granted by the Company pursuant to the share option scheme currently in force and adopted by the Company on 3 October 2006, the Company did not have other securities with subscription rights outstanding and not yet exercised.

Assuming full exercise of the subscription rights attaching to the Warrants, 1,135,000,000 Subscription Shares (representing approximately 19.54% of the issued share capital of the Company as at the date of this announcement) will be issued. Accordingly, the issue of the Warrants will be in compliance with the Rule 15.02(1) of the Listing Rules.

LISTING RULES IMPLICATION

As at the date of this announcement, Dr. Mo Shikang, an executive Director, is interested in (i) 427,841,375 Shares, representing approximately 7.36% of the existing share capital of the Company; and (ii) 750,000 Share Options. Dr. Mo Shikang is also the sole beneficial owner of the Subscriber. Thus, the Subscriber is a connected person of the Company and the Warrants Subscription constitutes a non-exempt connected transaction on the part of the Company under Chapter 14A of the Listing Rules. Accordingly, the Warrants Subscription is subject to, among other things, reporting, announcement and independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

Pursuant to Chapter 14A of the Listing Rules, Dr. Mo Shikang, being the sole beneficial owner of the Subscriber, and his associates are required to abstain from voting in respect of the relevant resolutions approving the Warrants Subscription and the transactions contemplated thereunder (including but not limited to the grant of the Warrants Specific Mandate) at the SGM. The resolutions to be proposed at the SGM for approval by the Independent Shareholders will be taken by way of a poll.

(3) RESUMPTION OF TRADING

At the request of the Company, trading in the Shares on the main board of the Stock Exchange was suspended with effect from 9:00 a.m. on 8 April 2013 pending the release of this announcement. Application has been made by the Company for the resumption of trading in the Shares on the main board of the Stock Exchange with effect from 9:00 a.m. on 20 May 2013.

GENERAL

The Independent Board Committee will be established to advise the Independent Shareholders in respect of (i) the terms of the Settlement Deed and the transactions contemplated thereunder, and the grant of Settlement Specific Mandate to approve the allotment and issue of the Additional Shares; and (ii) the terms of the Warrants Subscription Agreement and the grant of Warrants Specific Mandate to approve the allotment and issue of the Subscription Shares. An independent financial adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders in the same regard.

A circular containing, among other things, further details of the Settlement Deed, the Warrants Subscription Agreement, the recommendations of the Independent Board Committee, the advice of the independent financial adviser to the Independent Board Committee and the Independent Shareholders, and a notice of SGM will be despatched to the Shareholders in accordance with the Listing Rules on or before 7 June 2013.

Shareholders and potential investors should be aware of and take note that (i) the Settlement Completion is conditional upon satisfaction of the Settlement Conditions Precedent and may or may not proceed; (ii) the Warrants Completion is conditional upon satisfaction of the Warrants Conditions Precedent and may or may not proceed; and (iii) the Settlement Deed and the Warrants Subscription are, however, not inter-conditional to each other. Shareholders and potential investors are advised to exercise caution when dealing in the Shares, and if they are in any doubt about their position, they should consult their professional advisers.

DEFINITIONS

In this announcement, unless the content otherwise requires, the following words and expressions shall have the following meanings:

“2011 Announcement”	the announcement of the Company dated 15 June 2011 in relation to the Acquisition
“2011 Circular”	the circular of the Company dated 12 August 2011 in relation to the Acquisition
“2013 Valuation”	the value of the Target Group (including, for the avoidance of doubt, the new genre of games and new market that have been granted to, or secured or developed by, the Target Group since the Completion Date and subsisting and held by the Target Group as at 31 March 2013) as at 31 March 2013 and expressed in RMB, such valuation shall be prepared in compliance with all applicable laws, rules and regulation, and on a discounted cashflow methodology and such bases and assumptions that may be agreed by the Company and the Vendor

- “2013/14 Valuation Difference” the difference by subtracting the amount of the 2013 Valuation from the 2014 Valuation, expressed in RMB
- “2013/16 Valuation Difference” the difference by subtracting the amount of the 2013 Valuation from the 2016 Valuation, expressed in RMB
- “2014 Valuation” the value of the Target Group (including, for the avoidance of doubt, the new genre of games and new market that have been granted to, secured or developed by, the Target Group since the Completion Date and subsisting and held by the Target Group as at 31 March 2014) as at 31 March 2014 and expressed in RMB, such valuation shall be prepared in compliance with all applicable laws, rules and regulations, and on a discounted cashflow methodology and such bases and assumptions that may be agreed by the Company and the Vendor
- “2014 Valuation Report” the valuation report to be prepared and issued in respect of the 2014 Valuation in accordance with the provision of item 1(a) of the settlement arrangement as set out in the sub-section headed “*Settlement arrangement*” under the section headed “*DETAILS OF THE SETTLEMENT DEED*” in this announcement
- “2014/15 Valuation Difference” the difference by subtracting the amount of the 2014 Valuation from the 2015 Valuation, expressed in RMB
- “2015 Valuation” the value of the Target Group (including, for the avoidance of doubt, the new genre of games and new market that have been granted to, or secured or developed by, the Target Group since the Completion Date and subsisting and held by the Target Group as at 31 March 2015) as at 31 March 2015 and expressed in RMB, such valuation shall be prepared in compliance with all applicable laws, rules and regulation, and on a discounted cashflow methodology and such bases and assumptions that may be agreed by the Company and the Vendor
- “2015 Valuation Report” the valuation report to be prepared and issued in respect of the 2015 Valuation in accordance with the provision of item 2(a) of the settlement arrangement as set out in the sub-section headed “*Settlement arrangement*” under the section headed “*DETAILS OF THE SETTLEMENT DEED*” in this announcement

“2016 Issue Price”	the average of the closing prices of the Shares as quoted on the Stock Exchange for the five consecutive trading days immediately before and including the date of issue of the 2016 Settlement Certificate
“2016 Valuation”	the value of the Target Group (including, for the avoidance of doubt, the new genre of games and new market that have been granted to, or secured or developed by, the Target Group since the Completion Date and subsisting and held by the Target Group as at 31 March 2016) as at 31 March 2016 and expressed in RMB, such valuation shall be prepared in compliance with all applicable laws, rules and regulation, and on a discounted cashflow methodology and such bases and assumptions that may be agreed by the Company and the Vendor
“2016 Valuation Report”	the valuation report to be prepared and issued in respect of the 2016 Valuation in accordance with the provision of item 3(a) of the settlement arrangement as set out in the sub-section headed “ <i>Settlement arrangement</i> ” under the section headed “ <i>DETAILS OF THE SETTLEMENT DEED</i> ” in this announcement
“Acquisition”	the acquisition of the Sale Share by the Company from the Vendor pursuant to the terms and conditions of the Agreement
“Agreement”	the agreement dated 13 June 2011 and entered into between the Company (as the purchaser) and the Vendor (as the vendor) in respect of the acquisition of the Sale Share by the Company from the Vendor
“approved merchant bank”	an independent merchant bank or other financial institution of repute and having a place of business in Hong Kong selected by the Company for the purpose of item 5 of the settlement arrangement as set out in the sub-section headed “ <i>Settlement arrangement</i> ” under the section headed “ <i>DETAILS OF THE SETTLEMENT DEED</i> ” in this announcement
“Auditors”	the auditors of the Company from time to time
“associates”	has the meaning ascribed to it under the Listing Rules
“Beijing Zhongmin”	北京中民燃氣有限公司 (Beijing Zhongmin Gas Company Limited#), a company established in the PRC with limited liability

“Business Day”	a day (other than a Saturday) on which licensed banks are generally open for business in Hong Kong throughout their normal business hours
“Board”	the board of Directors
“Company”	Chinese People Holdings Company Limited, a company incorporated in Bermuda with limited liability, the Shares of which are listed on main board of the Stock Exchange
“Company’s Warranties”	the representations and warranties given by the Company in relation to the Settlement Deed
“Completion”	completion of the sale and purchase of the Sale Share in accordance with the terms and conditions of the Agreement
“Completion Date”	1 September 2011, being the date on which Completion took place
“connected persons”	has the meaning ascribed to it under the Listing Rules
“Consideration”	HK\$465,226,560, being the consideration for the Acquisition
“Consideration Shares”	the 1,727,729,582 Shares allotted and issued by the Company to the Vendor and credited as fully paid at the Issue Price on Completion to satisfy part of the Consideration, and any Shares as may be issued from time to time, including all dividends paid or payable thereon and stocks and shares, rights, monies and property accruing or offered at any time by way of substitution, redemption, bonus, preference, option, exchange, dividend, distribution, scheme of arrangement or organisation or otherwise to the same or in respect thereof
“Debt”	the debt in the total amount of HK\$45,388,271.50 and owed by the Vendor to the Company prior to Completion
“Director(s)”	the director(s) of the Company
“Escrow Agent”	the escrow agent to be nominated by the Company and appointed jointly by the Vendor and the Company in relation to the holding, deposit and escrow of the Consideration Shares in accordance with the terms and conditions of the Escrow Letter

“Escrow Letter”	the escrow letter (in the agreed form) to be executed by the Vendor, the Company and the Escrow Agent in relation to the holding, deposit and escrow of the Consideration Shares and incorporate the relevant terms and conditions as set out in the Settlement Deed
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent board committee comprising all the independent non-executive Directors (Dr. Liu Junmin, Mr. Tan Qinglian, Mr. Li Jialin and Mr. Sin Ka Man) to be established to advise the Independent Shareholders regarding (i) the terms of the Settlement Deed and the transactions contemplated thereunder, and the grant of Settlement Specific Mandate to approve the allotment and issue of the Additional Shares; and (ii) the terms of the Warrants Subscription Agreement and the grant of Warrants Specific Mandate to approve the allotment and issue of the Subscription Shares
“Independent Shareholders”	as to the transactions contemplated under the Settlement Deed, Shareholders other than the Vendor and its associates (including but not limited to Mr. Yeung) who are required to abstain from voting at the SGM; as to the transactions contemplated under the Warrants Subscription Agreement, Shareholders other than Dr. Mo Shikang and his associates who are required to abstain from voting at the SGM
“Independent Third Party(ies)”	means person or persons who is/are independent of and not connected with the Company or any of its associates
“Issue Price”	the issue price of HK\$0.243 per Consideration Share
“Last Trading Date”	5 April 2013, being the last trading day before the entering into of the Warrants Subscription Agreement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time
“Placing Agent”	the licensed securities dealer authorized to carry on type 1 of the regulated activities under the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) as may be nominated by the Company to dispose of such number of Consideration Shares

“PRC”	the People’s Republic of China which for the purpose of this announcement, shall exclude Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“Profit Guarantee”	The guarantee made by the Vendor in favour of the Company that the net profits after tax of the Target Group as shown in the audited consolidated financial statement of the Target Group for the period from the Completion Date to 31 March 2013 should not be less than RMB60,000,000 (equivalent to approximately HK\$72,330,000)
“Release”	the deed of release (in the agreed form) to be executed by the Company in favour of the Vendor pursuant to which: (i) the security created by the Share Charge shall be released and discharged; and (ii) the compliance by the Vendor of its obligations of the Agreement in relation to the Profit Guarantee shall be waived by the Company
“Sale Share”	one ordinary share of US\$1.00 in the issued share capital of the Target Company, representing the entire issued share capital of the Target Company
“Settlement Completion”	the completion of the Settlement Deed
“Settlement Completion Date”	the date falling the third Business Day after all Settlement Conditions Precedent have been fulfilled or, as the case may be, waived
“Settlement Conditions Precedent”	the conditions precedent to which the Settlement Completion is subject as set out in the sub-section headed “ <i>Settlement Conditions Precedent</i> ” under the section named “ <i>DETAILS OF THE SETTLEMENT DEED</i> ” in this announcement
“Settlement Deed”	the settlement deed dated 8 April 2013 (as supplemented by the Supplemental Settlement Deed dated 16 May 2013) entered into between the Company and the Vendor in relation to various settlement arrangements and release of obligations of the Vendor in relation to the Profit Guarantee under the Agreement
“Settlement Specific Mandate”	a specific mandate to allot, issue or otherwise deal in the additional Shares to be sought from the Independent Shareholders at the SGM to satisfy the allotment and issue of the Additional Shares by the Company to the Vendor pursuant to the Settlement Deed
“SFC”	the Securities and Futures Commission of Hong Kong

“SGM”	the special general meeting of the Company to be convened and held for the Independent Shareholders to consider and, if thought fit, approve (i) the Settlement Deed and the transactions contemplated thereunder and the grant of the Settlement Specific Mandate to allot and issue the Additional Shares; and (ii) the Warrants Subscription Agreement and the transactions contemplated thereunder and the grant of the Warrants Specific Mandate to allot and issue the Subscription Shares
“Share(s)”	fully paid-up ordinary share(s) of HK\$0.07 each in the share capital of the Company
“Share Options”	options which confer the holder of which the right to subscribe for the Shares at the exercise price (subject to adjustment in the case of rights or bonus issues, or other similar changes in the issued share capital of the Company) determined on the grant date for a fixed period of time
“Share Charge”	the share charge dated the Completion Date and executed by the Vendor in favour of the Company pursuant to which the Vendor had created a first fixed charge over the 297,654,321 Consideration Shares registered in the name of and beneficially owned by the Vendor, in favour of the Company
“Shareholder(s)”	holder(s) of the Shares
“Shenzhen Jin Cai”	深圳市永恒進彩科技開發有限公司 (Shenzhen Yongheng Jin Cai Technology Development Co., Ltd.#), a company established in the PRC with limited liability
“Shenzhen Le Cai”	深圳市永恒樂彩科技開發有限公司 (Shenzhen Yongheng Le Cai Technology Development Co., Ltd.#), a company established in the PRC with limited liability
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber”	Ping Da Development Limited, a company incorporated in the British Virgin Islands and is wholly-owned by Dr. Mo Shikang, an executive Director
“Subscription Shares”	up to 1,135,000,000 new Shares (subject to adjustment) to be allotted and issued by the Company upon the exercise by the holder(s) of the Warrants of the subscription rights attaching to the Warrants

“Subscription Price”	HK\$0.205 (subject to adjustment), being the subscription price per Subscription Share at which the holder of each Warrant may subscribe for the Subscription Shares
“Takeovers Code”	Hong Kong Code on Takeovers and Mergers
“Target Company”	Grand Destiny Group Limited, a company incorporated in the British Virgin Islands with limited liability
“Target Group”	together the Target Company, Zhongmin Yongheng, Shenzhen Le Cai and Shenzhen Jin Cai
“Vendor”	Yongheng Development Corporation Limited, a company incorporated in Hong Kong with limited liability
“Vendor’s Warranties”	the representations and warranties given by the Vendor in relation to the Settlement Deed
“Warrant(s)”	the 1,135,000,000 unlisted warrants conferring rights to subscribe up to HK\$232,675,000 for Shares, on the basis of an initial subscription price of HK\$0.205 per Share (subject to adjustment), during a period of 36 months commencing from the date of issue in accordance with the terms of the Warrants Subscription Agreement
“Warrants Completion”	the completion of the Warrants Subscription Agreement
“Warrants Completion Date”	within three Business Days following the date on which the Warrants Conditions Precedent are fulfilled or such later date as the Subscriber and the Company may agree
“Warrants Conditions Precedent”	the conditions precedent to which the Warrants Completion is subject as set out in the sub-section headed “ <i>Warrants Conditions Precedent</i> ” under the section named “ <i>DETAILS OF THE WARRANTS SUBSCRIPTION AGREEMENT</i> ” in this announcement
“Warrants Issue Price”	HK\$0.01, being the warrants issue price per Warrant
“Warrants Specific Mandate”	a specific mandate to allot, issue or otherwise deal in additional Shares to be sought from the Independent Shareholders at the SGM to satisfy the allotment and issue of the Subscription Shares upon the exercise of the subscription rights attaching to the Warrants after Warrants Completion

“Warrants Subscription”	the subscription of 1,135,000,000 Warrants pursuant to the terms of the Warrants Subscription Agreement
“Warrants Subscription Agreement”	the conditional warrants subscription agreement dated 8 April 2013 entered into between the Company and the Subscriber in relation to the Warrants Subscription
“Zhongmin Yongheng”	北京中民永恒投資諮詢有限公司 (Beijing Zhongmin Yongheng Investment Consultant Co., Ltd.#), a company established in the PRC with limited liability
“RMB”	Renminbi, the lawful currency of the PRC
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“%”	per cent.

By Order of the Board
Chinese People Holdings Company Limited
Mr. Yang Songsheng
Chairman

Hong Kong, 16 May 2013

As at the date of this announcement, the Board comprises seven executive Directors, namely, Mr. Xu Ruixin (Honourable Chairman), Mr. Yang Songsheng (Chairman), Dr. Mo Shikang (Deputy Chairman), Mr. Zhang Hesheng (Deputy Chairman), Mr. Yeung Paak Ching (Co-managing Director), Mr. Jin Song (Co-managing Director) and Mr. Chu Kin Wang Peleus, and four independent non-executive Directors, namely, Dr. Liu Junmin, Mr. Tan Qinglian, Mr. Li Jialin and Mr. Sin Ka Man.

For the purpose of this announcement, unless otherwise indicated, conversion of RMB into HK\$ is calculated at the historical exchange rate of RMB1.000 to HK\$1.2055. This exchange rate is for illustration purpose only and does not constitute a representation that any amounts have been, could have been, or may be exchanged at this or any other rate at all.

The English translations of Chinese names or words in this announcement, where indicated, are included for information purpose only, and should not be regarded as the official English translation of such Chinese names or words.